Weekly Economic Review

Real GDP growth remained high in 2013

Alberta Real GDP

Investment led growth

Alberta's real GDP increased by 3.8% in 2013, the fourth-straight year with growth above 3%. Alberta was third in growth among provinces after Newfoundland and Labrador (7.2%) and Saskatchewan (5.0%). The pace of expansion was well above the national rate of 2.0%. Similar to 2012 when the economy grew by 4.5%, Alberta's expansion was propelled primarily by business capital formation and household spending, which more than offset the drag from net exports as imports grew faster than exports (Chart 1). Strong demand for housing supported 7.5% growth in residential investment. Non-residential investment continued to drive growth, up 10.4%. Alberta had the strongest increase in employee compensation (7.3%) among the provinces while posting the third-highest growth in net operating surplus of corporations (+7.8%).

Labour Force Survey

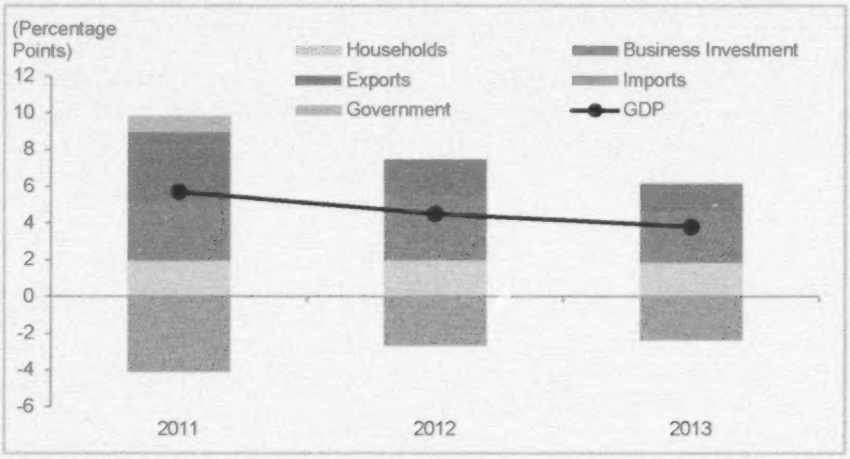
Modest employment growth

Alberta added a modest 3,300 jobs in October, building on September's spike of 21,200. This was more than enough to offset employment losses in July and August. All additional jobs were full time jobs last month. The private sector lost 10,000 jobs, but this was more than made up for by gains in the public sector and self employment. The service sector has added just under 20,000 jobs in each of the last two months, with food and accommodation accounting for roughly half the gains. Record job gains from September in natural resources industries were more than reversed by a loss of 23,800 jobs in October. from October 2013. Losses in the goods-producing sector were limited to 16,500 by a sharp increase in agricultural employment. The unemployment rate in Alberta inched up to 4.5%.

Canada enjoyed a second month of high employment growth, adding 43,100 jobs. The unemployment rate fell 0.3 percentage points to 6.5%. The 0.5 percentage point decline since August is the largest two-month decline in the unemployment rate in over ten years.

Chart 1: Households and businesses drive growth

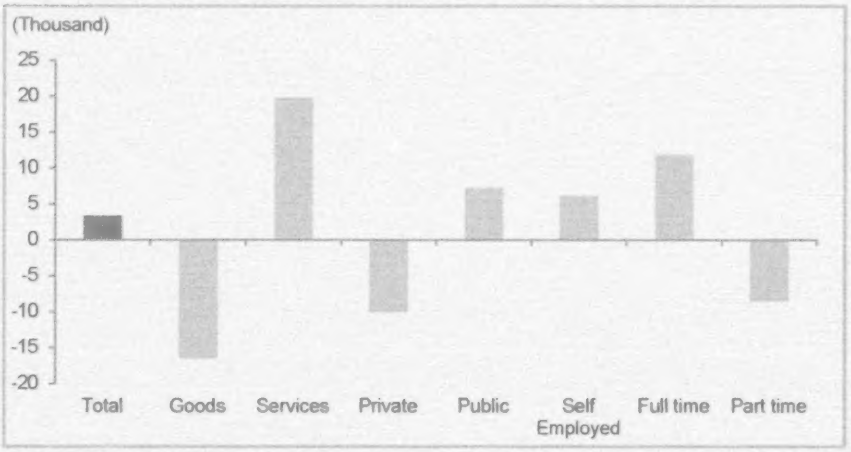
Contribution to Alberta real GDP growth



Source: Statistics Canada

Chart 2: Job growth was uneven in October

Alberta jobs added in October



Source: Statistics Canada

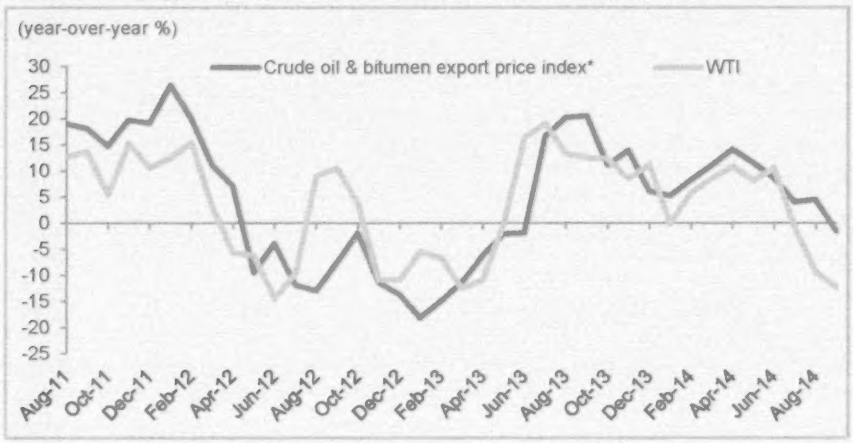
International Trade

Energy exports surge despite lower world oil prices

Alberta's merchandise trade in September increased 22.0% from September 2013, despite lower energy prices. International oil prices in September were down significantly from a year earlier, but a lower Canadian dollar and a tighter oil-price differential limited the pass-through to Alberta producers, with energy export prices falling only slightly (Chart 3). This, coupled with higher production, led to a 22.7% year-over-year (y/y) increase in energy exports, the largest component of total exports. Non-energy exports were also up substantially including, farm, fishing and intermediate goods (28.1%), forestry and building products (10.4%) and industrial machinery and equipment (18.5%). Year-to-date exports have increased 20.7%, almost double the national rate.

Chart 3: Lower dollar and tighter differential help to offset lower oil prices

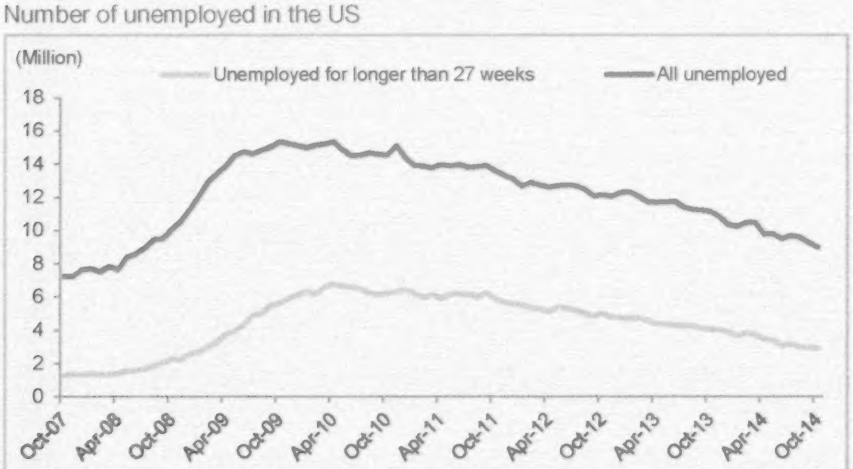
Canadian energy export price deflator and West Texas Intermediate



Source: Statistics Canada; * Paasche, customs basis
* Seasonally Adjusted Paasche Weighted Customs Basis

Chart 4: US labour market getting healthier

Number of unemployed in the US



Source: US Bureau of Economic Analysis

Building Permits

Non-residential permits are up

Alberta municipalities issued $1.6 billion in building permits this September, 6.0% more than a year ago, but down from the previous month. Growth stemmed from a broad expansion in the values of non-residential permits (27.1% y/y), with industrial, commercial and institutional permits all increasing. Growth in commercial permits was focused in Wood-Buffalo and Cold Lake, where commercial permit values nearly matched those of Calgary. Residential permits declined 5.1% y/y, because of a unusually high apartment permits in September 2013. Year-to-date, the value of building permits in Alberta has expanded 5.7%.

US Employment Situation

Building momentum

The US added 214,000 jobs in October, the ninth-straight month with over 200,000 jobs added. The strong employment growth signals an increasingly healthy US labor market, which has added an average of 228,500 jobs per month since January 2014. The unemployment rate also improved, falling 0.1 percentage points to 5.8%. Broader labour market indicators also showed improvement. The number of long-term unemployed has declined by 28% in the last year (see Chart 4) and the labour force participation rate ticked up to 62.8%.

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Please see the *Alberta Economy- Indicators at a Glance* for a snapshot of Alberta indicators.